



COMMONWEALTH of VIRGINIA

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To: County and City Elected Officials

Delivered Via: Chief Executive Officer, Manager, or Administrator

From: Aubrey L. Layne, Jr.
Secretary of Finance

Subject: Deadline for Use of Local Allocations for Federal CARES Coronavirus Relief Funds

Overview

On May 12, 2020, and July 28, 2020, I communicated to you the first and second rounds of allocations to local governments from the federal Coronavirus Relief Fund (CRF) authorized pursuant to the federal *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020*. Since then, you have completed a survey on your expected use of these funds and you have submitted the required reports in compliance with federal guidelines. I want to thank you for your cooperation and participation in this stimulus program. The Governor and I hope that these funds have helped you address the impact of the COVID-19 pandemic in your communities.

In my earlier communications to you and in the federal guidelines related to the CRF, you were advised that the period for using these funds expires on December 30, 2020, and that following that date, any unspent CRF funds must be returned to the Commonwealth. This memorandum outlines the timeline for closing out the CRF grant and the schedule for returning unspent CRF funds to the Commonwealth.

General Timeline

Federal guidelines allow a liquidation period following the close of the grant period. During this liquidation period, state and local governments are allowed to continue to pay for qualifying expenses that occurred prior to December 30, 2020. In order to give local governments flexibility to pay as many qualifying expenses as possible before returning any unspent balances, the Governor is going to allow local governments to continue paying qualifying expenses until

January 15, 2021. After January 15, 2021, local government are expected to follow the procedures outlined in this memorandum and to complete the return of unspent CRF balances no later than January 22, 2021.

Background

Congress passed and the President signed in March 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. This Act provides funding for a number of different programs to address the COVID-19 pandemic. A primary component of the CARES Act is \$150 billion in assistance to state, local, territorial, and tribal governments for the direct impact of the COVID-19 pandemic through the establishment of the Coronavirus Relief Fund (CRF).

Allocations were sent to states based on population. Each state received 55 percent of its share based on total state population and the remaining 45 percent was based on the local populations of each state's cities and counties. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

Virginia received approximately \$3.1 billion as its share of the CRF total. This amount did not include approximately \$200 million that went directly to Fairfax County since it qualified to receive its funding directly. As you are aware, the Governor and the General Assembly provided nearly \$1.3 billion of the funds received directly by the Commonwealth to local governments.

These funds may be used for qualifying expenses of state and local governments. The CARES Act provides that payments from the CRF only may be used to cover costs that:

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Since passage of the CARES Act, the U.S. Department of Treasury has issued several documents providing guidance and frequently asked questions and answers that can be found at: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>. Additional guidance on reporting and record-keeping requirements has been issued by the U.S. Department of Treasury Office of the Inspector General. Before you finalize your expenditures from the CRF, please review these documents again to ensure that you expenditures qualify for reimbursement.

Procedures and Deadline for Returning Unspent CRF Funds

As a reminder, my previous communications to you addressed the availability and requirements associated with the local allocations for Federal CARES Coronavirus Relief Funds (CRF). In those communications, I informed you that CRF funds must be expended by December 30, 2020. Since that time, the U.S Treasury has clarified their guidance. The latest guidelines provide, "that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time."

Please note, that while this more flexible guidance allows local governments additional time to pay for allowable expenses, the cost associated with the expense still must be incurred (i.e., service provided, goods delivered) by December 30, 2020. Although the new guidance allows up to 90 days for payment of eligible, incurred costs, we have determined that the cut-off date for local CRF expenditures needs to be January 15, 2021.

This earlier deadline will allow us the necessary time to comply with the provisions of Chapter 56, 2020 Acts of Assembly, Special Session I, and analyze all state and local CRF expenditures to determine if any CRF funds remain unspent and available for use for other eligible CRF expenditures, consistent with Chapter 56, 2020 Acts of Assembly, Special Session I.

Accordingly, localities have until January 15, 2021, to pay all CRF funds that were incurred for costs prior to December 30, 2020. Any funds that have not been spent after January 15, 2021, must be deposited by the local Treasurer into the State Treasury by January 22, 2021. The deposit must also be recorded in the Department of Accounts Financial Certification Website by January 22, 2021. Localities will need to plan accordingly to ensure the unspent CRF funds are deposited and recorded by the January 22, 2021, deadline.

The Department of Accounts (DOA) has established coding in the Financial Certification Website for the return of the unspent CRF funds as follows:

- **Agency Unit = 16200**
- **Fund = 10110**
- **Account = 5014310**

Local Treasurers will need to ensure the proper coding is selected when entering deposits into the Financial Certification Website. If you have any questions in regards to entering this deposit information into the Financial Certification Website, please contact Donna Rabender at (804) 225-3063 or at donna.rabender@doa.virginia.gov. By no later than 5:00 PM on or before January 22, 2021, please email Donna to confirm your locality's bank deposit and proper recording in the Financial Certification Website.

Again, thank you for your cooperation and prompt attention to closing out your local CRF expenditures.